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Northeast-Midwest Institute, Washington DC

Sheboygan Area Homeowners to Benefit from River Clean-up

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Sheboygan, WI. Residential property values near the Sheboygan River could increase by as much as \$108 million if contamination in the river and neighboring land areas were eliminated, according to a study conducted by the University of Illinois and the Northeast-Midwest Institute.

Findings of the study will be officially released September 21, 2006 at a community forum in Sheboygan. The forum will be open to the public and feature a presentation by Dr. Braden concerning the results of the two-year study. Other speakers include Sheboygan Mayor Juan Perez; State Senator Joe Leibham; Marc Tuchman of U.S. EPA's Great Lakes National Program Office; James McNelly of Wisconsin's Department of Natural Resources; Jon Gumtow with the Sheboygan River Basin Partnership; and Nicole Mays of the Northeast-Midwest Institute.

Pollution from past industrial discharges and disposal of waste earned the Sheboygan River designation as one of 43 "Great Lakes Areas of Concern (AOC)" by the International Joint Commission, the U.S.-Canadian government organization concerned with water quality. The major sources of pollution are contaminated bottom sediments and non-point source pollution. Contaminants of concern include PCBs, PAHs, and heavy metals. PCBs (polychlorinated biphenyls) are known to affect human reproduction, fetal development, and neurological functions, and harm fish and other aquatic species.

Through a two year study, the Northeast-Midwest Institute in Washington, D.C. and economists from the University of Illinois and Georgia State University have gauged the economic value to local homeowners of clean-up of the Sheboygan River AOC. The study focuses on the benefits to homeowners specifically in Sheboygan, Sheboygan Falls, Kohler, and the surrounding townships. The early results of the study suggest that eliminating the pollution in the AOC would make neighboring towns a more desirable place to live and increase property values significantly.

Researchers collected data for housing sales in Sheboygan County in the years 2002 through 2004, and directly surveyed 850 recent home buyers in Sheboygan County. Results of the study of housing sales data indicate that the polluted state of the river currently is depressing single-family, owner-occupied property values by \$8 to \$108 million¹, or one to seven percent of the assessed residential property values in the area studied. Clean-up could be expected to raise the property values commensurately. The negative effects of the pollution appear greatest close to the river and diminish with distance from the river, with properties east of the Waelderhaus Dam suffering the highest reduction in values.

These housing sales data findings were further bolstered by homeowner responses to direct surveys on their willingness to pay more for residential properties if the AOC were cleaned up. Based on the responses to the surveys, residents within five miles both north and south of the river would be willing to pay on average approximately 10% more for homes if the contaminated area if the area were cleaned up.

The estimated benefits of Sheboygan River AOC clean-up generated in the study apply only to single-family residential property owners living within five miles of the river, though cleanup of the AOC east of the Waelderhaus Dam would likely have a positive effect on other property types as well. Property value increases are however, only one of the ways that benefits from remediation of the Sheboygan River AOC would be realized by local residents. Clean-up might also attract new residents and businesses to the area.

The study was funded by the Great Lakes National Program Office, U.S. Environmental Protection Agency and the College of ACES, University of Illinois at Urbana-Champaign. The results are preliminary and will be refined through further analysis.

¹ All dollar values are expressed in year 2004 (4th quarter) purchasing power. Subsequent inflation in housing prices would increase the current dollar values.

Disclaimer: Until the methods and results described here have been reviewed by qualified scientific peers and published in the peer-reviewed literature, they must be considered preliminary. The opinions, findings, and conclusions of this study are solely those of the authors and do not necessarily reflect the views of the sponsors.